

MATTHEW D. POWERS (Bar No. 104795)
matthew.powes@weil.com
EDWARD R. REINES (Bar No. 135960)
edward.reines@weil.com
SONAL N. MEHTA (Bar No. 222086)
sonal.mehta@weil.com
RIP FINST (Bar No. 234478)
rip.finst@weil.com
WEIL, GOTSHAL & MANGES LLP
201 Redwood Shores Parkway
Redwood Shores, CA 94065
Telephone: (650) 802-3000
Facsimile: (650) 802-3100

Attorneys for Counterclaim-Defendant
SBM ATLANTIA, INC.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

CISCO SYSTEMS, INC.,

Plaintiff and Counterclaim-
Defendant,

v.

TELECONFERENCE SYSTEMS, LLC, and
MARGALLA COMMUNICATIONS INC.,

Defendants and
Counterclaim-Plaintiff,

v.

PROCTOR & GAMBLE
PHARMACEUTICALS, INC., HSBC USA,
INC., BAXTER HEALTHCARE
CORPORATION, APPLIED MATERIALS,
INC., WACHOVIA CORPORATION,
STAPLES, INC., CABELA'S
INCORPORATED, ENBRIDGE HOLDINGS
(U.S.), L.L.C, AT&T, INC., GENERAL
ELECTRIC COMPANY(GE), JOHNSON &
JOHNSON, INC., SAP AMERICA and SBM
ATLANTIA, INC.

Counterclaim-Defendants
and Counterclaim-Plaintiffs.

Case No. C 09-01550 JSW

**SBM ATLANTIA, INC.'S MOTION TO
DISMISS TELECONFERENCE
SYSTEMS, LLC'S THIRD PARTY
COMPLAINT FOR LACK OF
PERSONAL JURISDICTION AND
IMPROPER VENUE**

Date: June 18, 2010
Time: 9:00 a.m.
Judge: Honorable Jeffrey S. White
Place: 450 Golden Gate Ave.
Courtroom 11, 19th Fl.
San Francisco, CA

NOTICE OF MOTION

PLEASE TAKE NOTICE that on June 18, 2010 at 9:00 a.m., or as soon thereafter as counsel may be heard by the above-titled Court, located at 450 Golden Gate Ave., Courtroom 11, 19th Fl., San Francisco, California, Counterclaim-Defendant SBM Atlantia, Inc. (“SBM Atlantia”) will and hereby does move for this Court to grant its motion to dismiss Teleconference Systems, LLC’s (“TS”) “Third Party Complaint”¹ for lack of personal jurisdiction and improper venue pursuant to Federal Rule of Civil Procedure 12(b)(2) and (3). This motion is based upon this Notice of Motion, the following Memorandum of Points and Authorities, the Declaration of Carla Mashinski in support of this motion, all matters with respect to which this Court may take judicial notice, all papers and pleadings on file or deemed to be on file herein, and such argument as may be presented at the hearing.

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION AND FACTUAL BACKGROUND

This motion is necessitated by the latest in a sequence of attempts by Defendant and Counterclaim-Plaintiff TS to cast a wide—and indiscriminate—net over purchasers of Cisco Systems, Inc.’s TelePresence videoconferencing products. Specifically, this Court lacks personal jurisdiction over Counterclaim-Defendant SBM Atlantia and venue is improper here. The action against SBM Atlantia should be dismissed.

TS initiated the dispute underlying this action when it filed a suit in the District of Delaware (the “Delaware Action”) alleging that eight companies infringed U.S. Patent No. 6,980,526 (“the ’526 Patent”) through their involvement with Cisco’s TelePresence products. In response, Cisco filed this declaratory judgment action against TS and Margalla Communications, Inc., the owner of the ’526 Patent, in order to protect itself and its customers from TS’s

¹ TS titled its pleading a “Third Party Complaint,” but the pleading is properly denominated a counterclaim naming additional defendants in the action pursuant to Fed. R. Civ. P. 13(h).

1 unwarranted claims of infringement. Cisco seeks a declaration that the '526 Patent is invalid and
 2 not infringed by Cisco or by customers of its TelePresence product line. *See* D.I. 1 [Complaint].
 3 Cisco moved to intervene in the Delaware Action and moved to transfer that action to the
 4 Northern District of California, the demonstrably more convenient forum and one that is home to
 5 the primary parties to this dispute: Cisco, TS and Margalla. *See* D.I. 72 [Cisco Opp'n Defs.' Mot.
 6 Dismiss, Stay or Transfer] at 9-13. After Cisco's motion to transfer was granted in November of
 7 2009, TS voluntarily dismissed the transferred Delaware Action. In turn, TS filed the "Third
 8 Party Complaint" that is the subject of this motion. Although improperly styled as such, this
 9 pleading is actually a counterclaim adding new defendants in the action pursuant to Federal Rule
 10 of Civil Procedure 13(h), and for the sake of brevity and accuracy this motion hereinafter refers to
 11 "TS's Counterclaim." TS's Counterclaim names five new defendants, including SBM Atlantia,
 12 as well as the original eight defendants in the Delaware Action.² *See* D.I. 92 [TS's
 13 Counterclaim] ¶¶ 5-17.

14 TS's Counterclaim, however, fails to provide an adequate basis on which this
 15 Court may exercise personal jurisdiction over SBM Atlantia. Except for the unsupported
 16 assertion that all "third party defendants have committed acts of infringement in this district; do
 17 business in this district; have systematic and continuous contacts in this district and/or have
 18 consented to jurisdiction here," TS's Counterclaim fails to include facts or allegations that SBM
 19 Atlantia has any substantial contacts with the state of California, let alone the Northern District of
 20 California. D.I. 92 [TS's Counterclaim] ¶ 19. In short, TS's Counterclaim asserts that this Court
 21 has jurisdiction over SBM Atlantia, but alleges no factual basis upon which such jurisdiction
 22 could be maintained. Indeed, no such basis exists. As illustrated below, SBM Atlantia lacks the
 23 minimum contacts with the State of California and with this judicial district necessary for the
 24 constitutional exercise of personal jurisdiction over SBM Atlantia and proper venue in this Court.

25
 26 ² There are significant questions regarding TS's basis for filing suit against these customers. For
 27 example, Cabela's Incorporated was named even though it never purchased Cisco's TelePresence
 28 products and subsequently has been dismissed. As explained herein, SBM Atlantia was named
 even though there is no personal jurisdiction over it in this Court; TS has refused to dismiss SBM
 Atlantia from the suit, necessitating this motion.

II. STATEMENT OF THE FACTS

The pertinent facts are set forth in the argument sections, as appropriate.

III. THIS COURT LACKS PERSONAL JURISDICTION OVER SBM ATLANTIA

A. TS Bears the Burden to Establish that the Exercise of Personal Jurisdiction Over SBM Atlantia Is Constitutionally Permissible

The burden lies on the plaintiff to make a prima facie showing that exercise of personal jurisdiction over a defendant is proper. *See Autogenomics, Inc. v. Oxford Gene Technology Ltd.*, 566 F.3d 1012, 1017 (Fed. Cir. 2009) (citing *Avocent Huntsville Corp. v. Aten Int'l Co.*, 552 F.3d 1324, 1328 (Fed. Cir. 2008)); accord *Glencore Grain Rotterdam B.V. v. Shivnath Rai Harnarain Co.*, 284 F.3d 1114, 1119 (9th Cir. 2002). At this stage, the Court must accept the “*uncontroverted* allegations in the plaintiff’s complaint as true and resolve any factual conflicts in the affidavits in the plaintiff’s favor.” *Autogenomics*, 566 F.3d at 1017 (quoting *Elecs. for Imaging, Inc. v. Coyle*, 340 F.3d 1344, 1349 (Fed. Cir. 2003) (alteration in original)); accord *Glencore Grain*, 284 F.3d at 1119. However, the Supreme Court has made clear that in the context of a motion to dismiss, “the tenet that a court must accept as true all of the allegations contained in a complaint is inapplicable to legal conclusions[; t]hreadbare recitals . . . , supported by mere conclusory statements, do not suffice.” *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949 (citing *Bell Atl. Corp. v. Twombly*, 550 U.S. 554, 555 (2007)).

The two-part test for determining whether a district court has personal jurisdiction over a defendant in a patent infringement case requires that: (1) there must be jurisdiction under the state’s long-arm statute and (2) jurisdiction must be consistent with the limitations of constitutional due process. *Autogenomics*, 566 F.3d at 1017. As California’s long-arm statute permits exercise of jurisdiction to the full extent permissible under the U.S. Constitution, *see* Cal. Civ. P.Code § 410.10, the test collapses to the single question of whether exercise of jurisdiction satisfies due process, *see Autogenomics*, 566 F.3d at 1017. Federal circuit law, applying the “minimum contacts” test first expressed in *International Shoe Co. v. Washington*, 326 U.S. 310 (1945), governs the due process analysis. *See Red Wing Shoe Co. v. Hockerson-Halbertsadt, Inc.*, 148 F.3d 1355, 1358 & n.*.

The “minimum contacts” requirement may be established through contacts sufficient to assert either “specific” or “general” jurisdiction. *See Autogenomics*, 566 F.3d at 1017. Specific jurisdiction is appropriate when the lawsuit arises out of, or is related to, the defendant’s contacts with the forum. *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414 & n.8 (1984). General personal jurisdiction may attach even if the suit does not arise from the defendant’s contacts with the forum, but only if the defendant’s contacts with the forum are “substantial,” “continuous and systematic.” *Perkins v. Benguet Consol. Mining Co.*, 342 U.S. 437, 445-46 (1952); *id.* at 414-16 & n.9. Even if the plaintiff establishes contacts sufficient to support specific or general jurisdiction, a defendant may still defeat exercise of personal jurisdiction by “present[ing] a compelling case that the presence of some other considerations would render jurisdiction unreasonable.” *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476-77 (1985).

B. No Specific Jurisdiction Exists Over SBM Atlantia Because SBM Atlantia’s Limited Contacts With the Forum Bear No Relation to TS’s Counterclaim

TS’s Counterclaim alleges that SBM Atlantia has infringed the ’526 patent by “use of a multiple subscriber video conferencing system,” components of which “may have been provided by Cisco.” D.I. 92 [TS’s Counterclaim] ¶¶ 36, 38. TS’s counterclaim against Cisco makes clear that the accused components are alleged to be Cisco TelePresence products. *See* D.I. 93 [TS’s Answer and Counterclaim] ¶ 28. However, none of SBM Atlantia’s limited contacts with California relate in any way to TS’s accusations of infringement based on SBM Atlantia’s use of Cisco’s TelePresence products.

As an initial matter, SBM maintains no offices in California and has no employees who conduct business for the company in California. Declaration of Carla Mashinski In Support of SBM Atlantia’s Motion to Dismiss (“Mashinski Decl.”) ¶¶ 5, 8. The Cisco TelePresence products in SBM Atlantia’s Houston, Texas offices were provided to SBM Atlantia by a foreign, third-party provider, pursuant to an agreement between SBM Atlantia and a foreign entity related to SBM Atlantia. *Id.* ¶ 14. SBM Atlantia has not purchased, leased, or otherwise conducted any business related to TelePresence products in California. *Id.* ¶ 13. Moreover, SBM Atlantia uses

1 TelePresence products to communicate *solely* with the foreign offices of its related, foreign
 2 entities. *Id.* ¶ 14. SBM Atlantia has never used Cisco’s TelePresence products in California.
 3 *Id.* ¶ 13. The disconnect between the alleged basis for TS’s patent infringement counterclaims
 4 and the limited contacts SBM Atlantia has with California is glaring.

5 Under Federal Circuit law, the legal standard is uncertain for the connection
 6 required to support specific jurisdiction between the plaintiff’s cause of action and the
 7 defendant’s contacts with the forum. *See Avocent*, 552 F.3d at 1336-37 (“Although the exercise
 8 of specific jurisdiction clearly depends on the existence of some nexus between the defendant’s
 9 contacts and the controversy . . . it is not clear how strong this nexus must be.” (quoting 16 James
 10 Wm. Moore et al., *MOORE’S FEDERAL PRACTICE* § 108.42[7][a] (3d ed. 2008))). But even under
 11 the broadest possible reading of the nexus requirement, it is clear that SBM Atlantia’s contacts
 12 with California are entirely unrelated to TS’s cause of action for patent infringement. TS
 13 therefore cannot establish that SBM Atlantia is subject to specific personal jurisdiction in this
 14 Court.

15 **C. SBM Atlantia’s Limited Contacts With the Forum Do Not Approach the**
 16 **“Continuous and Systematic” Contacts Required For General Jurisdiction**

17 As established above, TS’s patent infringement counterclaim does not arise out of
 18 or relate to SBM Atlantia’s limited contacts with California. Only if TS can make a showing that
 19 SBM Atlantia maintains “continuous and systematic general business contacts” with the forum
 20 may “general jurisdiction” provide an alternative basis for this Court to exercise personal
 21 jurisdiction over SBM Atlantia. *Helicopteros*, 466 U.S. at 415-16 & n.9. TS’s Counterclaim
 22 offers nothing but unsupported—and unsupportable—conclusory allegations regarding the
 23 amenability of the defendants’ generally to personal jurisdiction in the Northern District of
 24 California. As discussed below, the facts establish that SBM Atlantia has only “sporadic and
 25 insubstantial contacts with [California], which are not sufficient to establish general jurisdiction”
 26 over SBM Atlantia in this forum. *See Autogenomics*, 566 F.3d at 1017 (quoting *Campbell Pet*
 27 *Co. v. Miale*, 542 F.3d 879, 884 (Fed. Cir. 2008)).

28 SBM Atlantia is a Delaware corporation with its principal place of business in

1 Houston, Texas. Mashinski Decl. ¶¶ 3-4. SBM Atlantia is one of a group of companies which
2 sells systems and services to the global oil and gas industry. *Id.* ¶ 2. As previously explained,
3 SBM Atlantia has no offices in the State of California and does not own, lease or rent real estate
4 in California. *Id.* ¶¶ 5-6. The company does not sell, market or provide goods or services in
5 California and *none* of SBM Atlantia’s revenues are generated in California. *Id.* ¶¶ 7, 9. SBM
6 Atlantia’s total absence of California-derived revenue is telling when considered in the context of
7 cases such as *Campbell* and *Autogenomics*, where the Federal Circuit approved district courts’
8 findings of no general jurisdiction even where a defendant repeatedly made sales or entered into
9 agreements with companies in the forum state. *See Campbell*, 542 F.3d at 884 (affirming the
10 district court’s conclusion that defendant’s 12 in-state sales over 8 years, the attendance of
11 defendant at a sales conference in the state, and the defendants’ generally accessible website were
12 insufficient to establish general jurisdiction); *Autogenomics*, 566 F.3d at 1015-16 (finding no
13 general jurisdiction despite the defendant’s patent licenses with “about ten” forum corporations,
14 supply agreement to purchase products from another corporation with offices in the forum, and
15 sale of its product to another forum corporation). Further reflecting the lack of personal
16 jurisdiction is the fact that until the present action was brought, the company had never been sued
17 in the state’s courts, filed suit in the state, or consented to suit in the state. Mashinski Decl. ¶ 12.

18 SBM Atlantia does have four employees—none of whom are officers or directors
19 of SBM Atlantia—who have residences in Southern California. Critically, however, none of
20 those employees do business on behalf of SBM Atlantia in California. The four SBM Atlantia
21 employees who happen to have residences in the state all do work for the company either (1)
22 exclusively in foreign countries or (2) abroad and at the company’s Houston, Texas offices.
23 Mashinski Decl. ¶ 8. In short, SBM Atlantia has no employees who conduct business on its
24 behalf in the state. The fact that SBM Atlantia has a handful of employees who work for it
25 outside of California but maintain California residences hardly suggests that the exercise of
26 general jurisdiction is permissible in this case. In fact, this Court has previously held that general
27 personal jurisdiction is inappropriate as a matter of law even where a foreign corporation employs
28 a California field service engineer and has performed equipment installations at multiple

California sites. *ADAC Labs. v. Trionix Res. Lab., Inc.*, No. C 94-20659-JW, 1995 WL 16817 (N.D. Cal. Jan. 12, 1995), at *1-*2. Moreover, further evidence of the paucity of SBM Atlantia's contacts with California is provided by the fact that the company is not obligated to pay any state or local taxes in California. Mashinski Decl. ¶ 10. Finally, while SBM Atlantia has designated an agent for service of process in California—registering with the California Secretary of State as a Delaware corporation with its principal place of business in Texas, *id.* ¶ 11—designation of an agent for service does not constitute consent to general personal jurisdiction in the state. *See, e.g., Perkins*, 342 U.S. at 445 (noting that state statutes requiring licensure or designation of an agent are not conclusive of general jurisdiction); *Gray Line Tours v. Reynolds Electrical & Engineering Co.*, 193 Cal. App. 3d 190, 193-95 (1987) (holding under California statute that designation of an agent and qualification to do business in California are alone insufficient to establish general jurisdiction). When considered in light of the fact that SBM Atlantia simply does not target its business towards nor generate revenue in the state of California, the company's limited California contacts fade in significance.

SBM Atlantia's fortuitous and insubstantial ties to California do not come close to the level of "continuous and systematic" contacts that "approximate physical presence" required to establish general personal jurisdiction. *Glencore Grain*, 284 F.3d at 1124 (describing the extent of the contacts found necessary to support the exercise of general jurisdiction by the Supreme Court in *Perkins*, 342 U.S. 437). This Court therefore possesses neither specific nor general personal jurisdiction to adjudicate TS's Counterclaims against SBM Atlantia. Accordingly, SBM Atlantia's motion to dismiss for lack of personal jurisdiction should be granted.

IV. THE NORTHERN DISTRICT OF CALIFORNIA IS AN IMPROPER VENUE

TS's Counterclaim against SBM Atlantia should also be dismissed pursuant to Fed. R. Civ. P. 12(b)(3). Venue is improper in the Northern District of California for the same reasons that there is no personal jurisdiction over SBM Atlantia in this district. Pursuant to Section 1400(b), venue in a patent infringement case may only be brought either (1) "in the judicial district where the defendant resides," or (2) "where the defendant has committed acts of

1 infringement and has a regular and established place of business.” 28 U.S.C. § 1400(b) (emphasis
 2 added). Under Section 1391(c), a corporation “shall be deemed to reside” a judicial district of a
 3 state with multiple judicial districts only if it is subject to personal jurisdiction in that state. 28
 4 U.S.C. § 1391(c). As previously established, SBM Atlantia is not subject to personal jurisdiction
 5 in California. *See supra*, Section III. SBM Atlantia thus does not “reside” in California for
 6 purposes of the venue statute. *See* 28 U.S.C. § 1391(c). Similarly, SBM Atlantia does have *any*
 7 place of business in California, much less a “regular and established” one. *See* Machinski Decl.
 8 ¶¶ 5-9. Therefore, TS’s Counterclaim with respect to SBM Atlantia is subject to dismissal, *see*
 9 28 U.S.C. § 1406(a), as venue is improper in this district under Section 1400(b).

10 **V. CONCLUSION**

11 For each of the aforementioned reasons, SBM Atlantia respectfully requests that
 12 the Court grant its motion to dismiss TS’s Counterclaim for lack of personal jurisdiction and
 13 improper venue.

14
 15 Dated: April 14, 2010

WEIL, GOTSHAL & MANGES LLP

17 By: /s/ Edward R. Reines
 18 EDWARD R. REINES

19 MATTHEW D. POWERS
 matthew.powers@weil.com
 EDWARD R. REINES
 edward.reines@weil.com
 SONAL N. MEHTA
 sonal.mehta@weil.com
 RIP FINST
 rip.finst@weil.com
 WEIL, GOTSHAL & MANGES LLP
 201 Redwood Shores Parkway
 Redwood Shores, CA 94065
 Telephone: (650) 802-3000

25
 26 Attorneys for Counterclaim-Defendant
 SBM ATLANTIA, INC.